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PROVISIONAL SUMMARY RECORD OF THE 11th MEETING

Held at the Palais des Nations, Geneva,
on Wednesday, 2 July 1997, at 3 p.m.

President:	Mr. GALUSKA	(Czech Republic)
later:	Mr. CHOWDHURY (Vice-President)	(Bangladesh)

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The meeting was called to order at 3.10 p.m.

FOSTERING AN ENABLING ENVIRONMENT FOR DEVELOPMENT: FINANCIAL FLOWS, INCLUDING CAPITAL FLOWS; INVESTMENT; TRADE (agenda item 2) (continued) (E/1997/50 and 67)

Mr. WU Jianmin (China) said that world solidarity was being eroded, with Official Development Assistance (ODA) reaching a record low of 0.25 per cent of Gross Domestic Product (GDP), despite a United Nations target of 0.7 per cent. He would like to know how the United Nations Conference on Trade and Development (UNCTAD) and the International Monetary Fund (IMF) intended to help reverse that unwelcome trend and what measures the World Trade Organization (WTO) would adopt to reduce the use of trade (and even labour standards) to apply pressure in international relations. That increasingly widespread practice of "arm-twisting", especially of developing countries, was evidently contrary to their development goals, the more so since labour standards were the proper domain of the International Labour Organization (ILO) and not of WTO.

Mr. CHOWDHURY (Bangladesh) said that he welcomed the new emphasis placed by the Bretton Woods institutions on the social aspects of development and would like to know how they intended to coordinate their efforts at the forthcoming high-level meeting on least developed countries. That meeting would provide an unprecedented opportunity for integrating approaches to the resolution of the structural problems of those countries. Given the danger of their marginalization in the framework of the globalization and liberalization of the world economy, he wondered how foreign direct investment (FDI) and the capacity to supply exportable goods and services could be promoted in those countries.

Mr. RUNGE (Germany) asked what specific strategies the Bretton Woods institutions would be adopting to meet the key challenge - in both developed and developing countries - of increasing employment opportunities for young people and women. Although it was a prerequisite, growth did not automatically result in higher employment.

He wondered to what extent old categories such as "least developed countries" (LDCs) were still meaningful in the new global context. Like the newly industrialized countries (NICs), the least developed countries might equally well become "fast-learning" countries.

Mr. MARERRO (United States of America) said there should be more cooperation and communication between the international financial institutions and the United Nations. Duplication at country level must also be avoided. His delegation had been a leading supporter of General Assembly resolution 50/227 and was disappointed that the report requested by that resolution (para. 86) on how the United Nations and Bretton Woods institutions might effectively complement one another's efforts had still not been produced; such a report might serve to dispel misconceptions as to the actual levels of cooperation within the system.

Despite falling ODA levels, the international environment for fostering development appeared propitious, characterized as it was by growth in GDP and trade share and by massive capital flows.

The "recipe for success" at national level clearly involved macroeconomic stability, liberal trade regimes, financial liberalization and good governance, which included accountability and transparency. Although ODA was often useful for building infrastructures which private investments alone would not support, the economic growth sought by developing countries would not occur without a stable social and political environment. He would like to know how the Bretton Woods institutions viewed the relationship between domestic and international factors, as well as the role of ODA, technical assistance and private enterprise in creating an enabling environment to support the integration of developing countries into a globalized economy.

Mr. ORDJONIKIDZE (Russian Federation) said he was concerned at the fact that not all countries were participating in international multilateral talks on global economic problems, as in the case of the Organization for Economic Cooperation and Development (OECD), which was working on an international agreement on investment. How did the international financial institutions perceive their role and the role of the United Nations system in linking the various processes? How could a more global consensus be achieved to ensure cohesion with national policies in all Member States?

Developing countries fortunately had greater recourse to the new WTO mechanisms for resolving disputes than they had had in the past under the General Agreement on Tariffs and Trade (GATT). He would like to hear an appraisal by WTO of the effectiveness of those mechanisms and to be informed what concrete measures were being envisaged for their further improvement.

Ms. SHORT (United Kingdom) said that the new United Kingdom Government had a completely different attitude to the United Nations and the international community from that of the previous Government. Strongly committed as it was to supporting the United Nations system, the new Government would be seeking alliances with developing countries to achieve a more effective Organization. Furthermore, her delegation was eager to work closely with those of countries to which it might not have been so close in the recent past.

Globalization of the world economy was clearly unstoppable, but it must be kept under control to ensure that it delivered benefits to all peoples. There was a need for new thinking on those issues so as to ensure that marginalization and other ugly developments could be avoided as globalization took a firmer hold.

More optimistic models of development had yet to be created. One of the problems with what the developed world called "compassion fatigue" was not that people lacked compassion, but that they were becoming pessimistic about achieving development. Greater success would make people unite for further development. The countries of the North and South must join forces in a genuine partnership to achieve the elimination of poverty.

The focus must be on human development for the poorest sectors, which meant providing basic health care and education, not to mention clean water and sanitation, for all. It was the duty of the developed countries to assist the developing ones to expand their capacity to deliver services to their poor. To that end, economic growth was important, but economic growth came in many forms and some of them only increased inequality. What was needed was "pro-poor" economic growth, and far clearer strategies and ideas to ensure that it was delivered.

It was highly doubtful whether the ideas or structures currently existed to ensure that trade developments resulting from globalization were beneficial to all the peoples of the world. Investment flows were very unevenly distributed, and the poorest countries were not witnessing any increase in investment. Such a situation did not constitute a sustainable future for the world as a whole.

The new United Kingdom Government had a new attitude to the world. It had been elected by its people to increase social justice in the country and it fully intended to stand up for the same values internationally also.

Strategies for ensuring that the fruits of globalization were secured for the poor had yet to be devised, and her delegation looked forward to working with others in the United Nations to create the necessary ideas and to form alliances for their implementation.

Mr. CAMDESSUS (Managing Director of the International Monetary Fund (IMF)) said that all participants must have been heartened by the refreshing contribution of the United Kingdom representative. It would provide a new impetus for the Council's work and it was to be hoped that other delegations would follow suit.

Replying to the representative of China, he said that ODA was all the more essential to ensure that the entire world benefited from the globalization and improvement of the world economy. Markets were uncaring, and it was the role of IMF to ensure that there was investment in marginalized countries, such as those torn by war. Investment in infrastructure and in human beings was vitally needed. Thanks to the Enhanced Structural Adjustment Facility (ESAF), which depended on ODA, many of the poorest countries had succeeded in standing on their own feet and several of them had become contributors to ESAF. Solidarity also involved setting wise monetary policies in advanced countries such as those recommended by the Council. When high real interest rates prevailed in "big" countries, the entire world economy was affected, and ODA alone would not be able to remedy matters.

Replying to the representative of Germany, he suggested that the creation of employment in "old Europe" was only 20 per cent related to good growth policy, the remaining 80 per cent being dependent on structural policies which were unpopular with many Governments. True flexibility of labour markets necessitated reform of welfare systems to make benefits more proactive. The unemployment crisis in Europe could not even begin to be resolved without proper policies for education and training.

Mr. RUGGIERO (Director-General of the World Trade Organization (WTO)), having congratulated the delegation of the United Kingdom on the new Government policy it had outlined, said that, since globalization was irreversible, the only option was to devise ways of improving the system rather than attacking it. While globalization might not benefit everybody, it was thanks to that opening up of trade that Asia, Latin America and Africa were witnessing an improved growth rate and a higher per capita income.

A market economy alone did not ensure growth, but it certainly represented a starting point. Likewise, economic growth did not automatically reduce unemployment, but it was an important prerequisite for such reduction. Distribution policies were often to blame for persistent unemployment.

At the forthcoming meeting on least developed countries, WTO would be concentrating its efforts on devising a strategy, involving enhanced international collaboration and a multilateral agreement on investment, to create a level playing field for all. Liberalization and bilateral agreements alone would not ensure equal opportunities for the poorer countries.

The multilateral trading system might not be perfect, but it was the only existing system to have enforceable rules agreed upon by consensus, meaning that no member could use measures other than those agreed by all. The system extended, rather than limited, national sovereignty. In a world where trade represented such a large proportion of GDP, a country could defend its interests outside its borders only with the help of international law. Countries within the system were thus more protected than those outside.

The WTO dispute-settling procedure had proved an extremely effective instrument as well as a deterrent. It had won the trust of the developing countries and the support of both rich and poor ones. In a recent case, one of the "smallest" countries had been successful in its dispute with one of the "largest" countries, thus proving that the system was functioning properly.

Mr. RICUPERO (Secretary-General of the United Nations Conference on Trade and Development (UNCTAD)) said that the international consensus which had recently been emerging on development and which had been achieved only through highly delicate negotiations, could be jeopardized if ODA were allowed to fall. Decline in ODA was often due to insufficient political will in the countries capable of contributing, and to a negative image of the quality of development work. UNCTAD thus had an important role to play in consensus-making and in generating ODA support for worthy projects.

The most recent UNCTAD meeting on LDCs had concentrated not on promoting foreign direct investment (FDI), but on drawing the private sector's attention to other financing modalities such as portfolio investment. UNCTAD had focused on FDI in other contexts, preparing investment guides for the LDCs and providing advice on improving legislation. For the first time, it had extended invitations to representatives of banks, private financing

institutions and companies with a view to fostering interest in the future emerging markets in LDCs. The meeting had proved most successful and had resulted in a number of pragmatic results such as a decision to associate the private sector in carrying financial flows beyond FDI to LDCs.

In the circumscribed sense of countries with a per capita income of under $350, there were still 48 countries in the least developed category. The 1990 Plan of Action had been supposed to lead to the elimination of the category within a decade, but it had actually grown from 42 to 48 countries and there was no indication that it would disappear in the foreseeable future. There was much to be said for categorization among the developing countries in general. Some 15 of them had been successful through export-led growth, although they still encountered some problems with respect to competitiveness and market access. A second category, which included most of the developing countries apart from the LDCs, was of those anxious to upgrade their products to the level of the first category. Some of the LDCs enjoyed trade preferences but lacked the means to take advantage of them. Their main problem was how to establish a favourable environment for enterprise, through tax measures, appropriate legislation and the training of entrepreneurs. There was a role for ODA and for the international institutions to help them achieve those ends.

As far as the problem of unemployment was concerned, a note of caution must be sounded. It constituted the biggest challenge of the waning century and no one knew how to solve it completely. The view that a certain degree of unemployment was necessary to prevent inflation was unacceptable. It was a duty to provide jobs for all those who wished to work.

In that connection, there appeared to be a growing convergence of views regarding the roles of the public and private sectors. No one asserted any longer that the State should be the exclusive actor in development but no one said either that everything should be left to market forces. There was much less black and white but rather differing shades of grey. Some organizations put the emphasis on certain shades rather than others, but they were no longer all that far apart.

A favourable external environment was all the more essential if the country in question was a fragile one. Some countries in Asia had been able to succeed even without trade preferences, but they had had other advantages,

such as a more equal distribution of income, no concentration of land ownership and widespread primary education, which were absent elsewhere. In the case of the small least developed economies, the external environment inevitably played a more important role.

Mr. RISCHARD (Vice-President of the World Bank) said that it was indeed unfortunate that ODA levels should be declining precisely when globalization was advancing rapidly and countries were increasingly willing to reform their economic systems. One excuse put forward was that no direct relationship had been detected between ODA and good economic performance. It was true that past research had failed to show conclusively that there was such a link but, in its most recent study, the Bank had introduced a new variable into the analysis: whether countries adopted good or bad economic policies.

It had been shown that, where recipient countries had good policies with regard to budget management, inflation, openness and the like, international assistance definitely had a positive effect on growth. In many cases, however, bilateral assistance had been driven more by strategic interests than a decision to reward good policies while, on the multilateral side, it had tended to be a function of income levels, population and general policy. The conclusion was that donors, and particularly bilateral donors, had in the past failed to exploit effectively the positive relationship between assistance and growth and that greater weight should be attached to economic policies. The 1997 World Economic and Social Survey (E/1997/50) showed that a consensus had been reached on the need for good policies and they were increasingly being adopted. The climate for effective assistance had probably never been better and the excuse for lowering aid budgets had never been weaker.

The representative of the United Kingdom had spoken of the need to adopt more optimistic models for the future. The time might well be ripe to launch action programmes to attack the important problem of the marginalization of the poorest countries. There were three important gaps in respect of those countries which needed to be systematically addressed: an awareness gap, a competitiveness gap and a connectivity gap.

An awareness gap could be detected among the Governments of some of the poorest countries with regard to the unprecedented opportunities and challenges posed by the new age of services and networking. All too often,

the mindset of those Governments, and indeed of their international advisers, was locked in industrial-age reasoning and they failed to seek out the new opportunities available. The launch of an awareness programme on an international basis would be an important step forward.

As far as the competitiveness gap was concerned, the most important thing was that the poorest countries should embrace the vision set out in the World Survey and make across-the-board efforts to improve the enabling environment at the national level. They would have to make a quantum jump in improving their systems and instituting a genuinely enabling economic environment.

As for the third gap, the very important matter of connectivity, huge leaps forward could be made very rapidly, for example, if some of the African countries were to open their public telephone monopolies to private participation. There was much material for effective and inexpensive international action programmes in that connection.

Mr. KONISHI (Japan) said that one of the important points that had emerged so far was that a widening gap was forming between those countries which were reaping the benefits of globalization and those which had not caught up with the mainstream. The question was how the countries left behind were to be taken care of and who was to do it. There was an increasing need for stronger international cooperation in that regard.

The globalization process had brought into play many actors relevant to development, not only Governments and international organizations but also NGOs and the private sector, the weight of which was constantly increasing. Everything pointed to the necessity of a comprehensive approach to development, comprising trade, investment and development policies. Such an approach should form an integral part of a new development strategy which would make it possible to use all the available policy tools and help to build more coherence and consistency among the various competing policy requirements. It was high time that a serious look were taken at ways of implementing such a comprehensive approach. An attempt should be made to identify the negative impact or consequences of the inconsistencies emanating from different policy goals.

Having been reflecting on the role that the international organizations could play in that regard, he had been glad to hear of their plans to exchange information and that IMF and WTO were already making arrangements to achieve

more coherence. He wondered whether there was any possibility of greater policy coordination and of raising the level of contacts with a view to shaping a common policy through a comprehensive decision-making process that would involve all the relevant organizations.

Mrs. HAGEN (International Labour Organization (ILO)) said that ILO took the issue of workers' rights and the effect of globalization on standards very seriously and it had to play an effective role in that regard as its contribution to the partnership with the other international institutions. It was also sensitive to the need to address the issues of unemployment and underemployment, although it had not found answers to the question of how an environment could be created that was truly conducive to the achievement of full employment. She shared the concern expressed by the representative of Germany on those issues, which were newly highlighted in the 1997 World Economic and Social Survey.

ILO was convinced of the importance of stimulating the kinds of entrepreneurial activities that created jobs and would be interested to hear in what way IMF could contribute to the process of developing small and medium-sized enterprises. At the recent ILO Conference, much had been said about the difficulties such enterprises encountered in competing in the global market place and in responding to the challenge of the vast new subcontracting phenomenon. IMF could, perhaps, focus more particularly on the job-creating element of enterprise development, while taking into account also the need for good governance and enhanced structural adjustment.

In the World Bank presentation, she had noted the reference to a growing sensitivity to knowledge-based development. At the recent Toronto conference on global knowledge, information technology and development, the Secretary-General of the United Nations had spoken of the democratizing power of information technology while, in his report on fostering an enabling environment for development (E/1997/67), he referred to a stable political framework, full respect for all human rights and fundamental freedoms and effective participation by civil society as indispensable foundations for sustainable development. The promotion of democratization in the context of good governance clearly required, therefore, further dialogue among the various institutions, to which the representative of the United States had referred. The various parts of the United Nations system had different mandates and it was important to find ways of pulling them together into a

partnership for promoting a healthy civil society. She would thus like the representative of the World Bank to suggest how that question could be addressed.

Mr. JALLOV (Gambia) said that he had two questions for the representative of the World Bank. First of all, he would like an explanation of the Bank's latest external debt relief initiatives for the countries of sub-Saharan Africa and, secondly, he would like to know what new concessionary packages or programmes were being developed by the Bank for the LDCs and what impact they would have on the efforts of those countries to derive greater benefits from globalization and economic liberalization.

Mr. PRONK (Netherlands) said that the very interesting presentations of the four international financial and trade institutions raised a number of questions with regard to the future work of the Council. Their statements on the "new world economy" (to use the World Bank term) could be summarized as saying that globalization was irreversible, that it was neither good nor bad in itself and that the external environment no longer mattered very much. If that was true, it raised the question of the very future of the nation State, which was clearly an important one for the United Nations.

It also raised a question with regard to the Council's agenda. If the process was really an irreversible one, much of the discussion of economic relations in the United Nations was futile, since it could not influence the outcome. Consequently, the Council would have to decide which issues were still relevant and concentrate on them, discarding those of a theoretical nature which could no longer be the object of policy-making.

Even if globalization was in itself neutral, the question still had to be asked whether or not countries wanted it as it currently presented itself or in some different fashion. Globalization might, perhaps, be irreversible but it was still to some extent manageable. Hence, for example, the major challenge of managing the situation to ensure that all countries had access to the process. The Secretary-General of UNCTAD had drawn attention to five important inequalities in the globalization process as it currently existed, but it was not clear whether they were inherent or avoidable and, if the latter were the case, whether they could be avoided by national measures alone or whether international policies would be needed to overcome the tendency to polarization and marginalization.

In the last analysis, the question whether globalization was actually wanted by all countries was more a cultural than an economic one. If globalization was technology-driven, as the representative of the World Bank had suggested, countries could grasp its benefits only if they embraced a particular process that might be regarded as alien to their national values. Moreover, if they reformed their national economies to harmonize with the forces leading to globalization, they would have to make a double adjustment to a process coming to them from outside. The result could be resentment and resistance. Conflict might thus arise not only in the case of those unable to acquire the benefits of globalization but also of those who had access to globalization but did not want it.

Consequently he asked, not the representatives of the four financial and trade institutions but the Under-Secretary-General in Charge of the Economic and Social Departments, where the United Nations as a whole should come in and whether, if those potential negative effects were to become an important part of the United Nations agenda in the future, they should be issues for the Council and the United Nations system in general, or whether the four financial and trade institutions would also take up those value-loaded aspects.

In the matter of trade, he joined the previous speakers who had already called for better coordination between UNCTAD and WTO with regard to programmes for the LDCs.

He welcomed the remarks of the representative of the United Kingdom concerning ODA, since his own and many other countries had for many years been in favour of increasing ODA. In that connection, the wrong impression had emerged from the New York meeting, since quite a few countries had been ready to halt and even reverse the downward trend before the end of the century, but the opportunity to take up the issue again had been missed. He asked the representatives of the financial and trade institutions whether it might be possible to put on their agendas that increased willingness on the part of certain countries to continue to provide ODA, in connection with their own special interests in respect of trade, investment or globalization.

Mr. Moon HAYONS (Republic of Korea) said that, with a 4 per cent increase in world economic output and the highest growth rate for 20 years (6.5 per cent) in the developing countries, the future seemed bright, at least

in the medium term. That growth was the result of many Governments' efforts to achieve structural reforms within their own countries and of the work of the financial and trade organizations of the United Nations system. Nevertheless, those organizations were still not functioning in the most effective way and a number of issues remained to be tackled. IMF, the Bank and WTO should pay more attention to capacity-building in the developing countries with a view to averting marginalization.

On the question of monitoring the implementation of the results of major United Nations conferences, he would like to know how much policy coordination the financial organizations envisaged. He noted that IMF was expecting an amendment to its charter that would give it appropriate oversight of restrictions on capital movements. While his delegation welcomed that effort to tackle the problem of increasing volatility in international financial movements, it wondered whether there were any ideas or plans in progress in IMF to promote more international cooperation on other issues that had emerged with globalization.

Mr. RISCHARD (Vice-President of the World Bank) said he agreed with the ILO representative that the development of civil society, governance and democracy in general was an area in which the various agencies could make a valuable contribution and was, in fact, one in which the Bank was becoming increasingly involved. It had a social development programme, was expanding its staff to include sociologists, and was carrying out social assessments. It was also promoting democratization - an area in which it was obliged to tread carefully because it bordered on the political - and had contributed to the training of parliamentarians and journalists and was even contributing to reforms of judicial systems.

The Netherlands representative had raised a number of fascinating issues in connection with the globalization process. It was indeed irreversible, being driven by the technological revolution, which was empowering individuals in an unprecedented way, particularly through the expansion and facilitation of communications.

He assured the representative of the Republic of Korea that the Bank attached very great significance to capacity-building. An important agreement had recently been reached to create the Partnership for Capacity-Building for Africa, in which the African countries had undertaken - with support from the

donor system, including the Bank - a series of capacity-building activities, including the strengthening of accounting, auditing and financial management capacities.

Mr. FORTIN (Deputy Secretary-General of the United Nations Conference on Trade and Development (UNCTAD)) said that the Netherlands representative had asked whether the nation State was still in a position to steer the process of globalization in desired directions. That issue had come up during the Uruguay Round negotiations, and the conclusion had been reached that Governments could still influence the way in which development came about, particularly in the field of services. A recent meeting on trade and health services, for instance, had shown that there was vast scope for developing that particular form of comparative advantage.

Experience had shown that the most effective way of halting the decline in ODA flows was to ensure that the assistance was properly used, and that could be achieved by improving the quality of policy-making. Accordingly, both on account of the direct benefits to be achieved and in order to improve funding, UNCTAD was actively engaged in the promotion of capacity-building.

Mr. SEADE (Deputy Director-General, World Trade Organization (WTO)) said that the technological revolution had made globalization both possible and profitable, and, together with the liberalization that facilitated it, had resulted in the world economy moving in the direction of satisfying market demands. It had also resulted, however, in the creation of tensions, such as high unemployment and the marginalization of some regions not fully participating in the process. Globalization had undoubtedly increased the "size of the pie", but since it was effectively creating a single market place, it was giving rise to the same problems as had previously been created by the expansion of national economies. At the national level, it had been found necessary to establish safety nets - in many developing countries, the family, and in European countries, social security systems. The world economy, since it was a market place and not a country, had no such mechanisms for dealing with social issues, which meant that cooperation had become of crucial importance, whether bilateral, regional or through agencies, and had to be reinforced and maintained by the multilateral organizations.

Referring to the questions asked by the representatives of Japan and the Republic of Korea, he said that WTO recognized the key importance of capacity-building. The assistance needed by many of the poorer countries was

no longer exclusively technical but related to institutional and human capacity-building. To that end, cooperation between donors and agencies was needed to ensure an economical use of resources that maximized the potentiality for action. Inter-agency policy coordination had a valuable role to play and could best take place through the exchange of information. It was a complex issue, but progress was being made on a pragmatic basis.

Mr. DESAI (Under-Secretary-General in Charge of the Economic and Social Departments) said that he did not share the view that the process of globalization was irreversible. Globalization had advanced just as rapidly between 1870 and 1940 as over the past 25 years, but it had then collided with the incompatible ambitions of national elites. No one could be sure that it would not once again be halted by forces opposed to it in many countries that regarded it as alien and threatening to traditional lifestyles. The United Nations had, indeed, recognized that such problems existed, particularly through the cycle of major global conferences held over the past five years. Those conferences had identified areas of public policy and had produced a United Nations agenda.

The United Nations could not, however, be more interventionist than national Governments, and it had been necessary to define the legitimate role of public policy at both the national and international levels. It was only too easy for those brought up in Western liberal democracies to regard certain lines of development as obvious, but the greater part of the world did not consist of Western liberal democracies, and much remained to be done if such concepts as the conservation of resources and the protection of persons in conditions of conflict were to be widely accepted. The most important thing was to keep on talking, and the United Nations with its openness and transparency was uniquely equipped to further that process.

The United States representative had raised the question of meetings between the Bretton Woods institutions and the United Nations, and work was proceeding on that subject. The high-level segment of the Council's session would be immediately followed by a meeting of the Development and Interim Committee, which he hoped would prove an important experiment. It was of the utmost importance that the United Nations should be seen to reflect in its operational work for development the consensus that had emerged from the global conferences.

Mr. ZULU (International Monetary Fund (IMF)), answering the question concerning a more comprehensive approach to development, said that the Fund was making its own role much more comprehensive by moving its emphasis from structural reforms to assisting emerging market economies.

As for coordination with other institutions, in addition to formal and informal arrangements with WTO, ILO and other organizations of the United Nations system, the Fund was also incorporating policies resulting from the major United Nations conferences.

In answer to the question asked by the ILO representative about job creation, he said that the Fund accepted the fact that flexible labour markets - consequential upon the rapid obsolescence of skills - was the only way forward. If the need became apparent, however, it would be obliged to explore other possibilities of job creation as well.

He agreed that the process of globalization was causing rising tensions, for example, between nation States and non-State actors. There had to be a dialogue, because at some point there would have to be a realignment of the relations between the two. Another tension was between the formal institutions on the one side and civil society and the private sector on the other. Another much discussed tension was between decentralization in the political field and integration in the economic field. From those various tensions emerged the need to decide what form United Nations organizations, including the Fund and the World Bank, should take to meet the challenges of the twenty-first century.

Mr. Chowdhury (Bangladesh), Vice-President, took the Chair.

Mr. CALOUSKI (Observer for the Former Yugoslav Republic of Macedonia) asked what WTO believed should be done to improve international cooperation and maintain its basis in the rule of law. His second question concerned the measures that should be adopted to accelerate the process of the integration of East European countries, particularly those in the Balkans, into the European Union, which was of the greatest importance both for the countries concerned and for the stability of Europe as a whole. He welcomed the support expressed by the United Kingdom representative for strengthening economic cooperation, and asked whether the international organizations regarded it as a major issue.

Mr. SIMKHADA (Observer for Nepal) said that the globalization process had to be considered as part of an historical continuum, and the very different stages reached by different populations should not be overlooked. While one person could talk to the other side of the world using a cellular telephone, another had to walk for several days to reach the nearest post office. He noted the emphasis on civil-society building as an instrument of good governance, but what concerned him was the relative role of the State. In countries where as much as 50 per cent of ODA was to be channelled through non-traditional sources, the ability of the State to implement policies became of critical importance. He would welcome information from the representatives of the financial institutions on how they viewed the forthcoming high-level meeting on least developed countries, since there was general agreement concerning the importance of achieving concrete results on that occasion.

Mr. DLAMINI (Observer for Swaziland) said the fact that one of the international financial and trade institutions was represented by an African showed a willingness to involve Africans and other people of the developing world in the activities of those institutions.

He asked the representatives of the Bretton Woods institutions to explain their attitude towards the coercive measures adopted by some countries to disrupt economies in transition and their imposition of trade embargoes contrary to the principles of the Charter of the United Nations. He wondered whether there were any penalties that could be imposed on countries which engaged in such practices.

The Governments of developing countries, especially in Africa, knew the needs of their own people. Would the Bretton Woods institutions allow such countries to develop their own structural adjustment programmes, or would they insist on imposing a specific set of measures?

Some third-world countries had been denied the means to sustain their economies because the Bretton Woods institutions made democratization a condition for assistance. However, democracy could be defined in various ways, and Africans believed that a system was democratic only if it reflected the national culture, traditions, institutions and circumstances. In some cases, ILO had been too quick to believe politically-motivated trade unions seeking to disrupt the economic stability of developing nations in the name of

democracy. He asked the Bretton Woods institutions to visit such countries before refusing assistance on the grounds that they were not sufficiently democratic.

WTO was a new organization; he wondered how soon its members, especially countries with economies in transition, would begin to enjoy the benefits of membership. His delegation suspected that the international financial institutions danced to the tune of certain countries which attempted to frustrate the efforts of the developing nations.

Mr. Galuska (Czech Republic) resumed the Chair.

Mr. ZAHRAN (Observer for Egypt) said that there was an increasing need for greater harmonization and coordination of organizations which contributed to the development process, including the Bretton Woods institutions, the United Nations Development Programme (UNDP) and WTO, particularly in the areas of investment, financing and trade. If globalization and trade liberalization served only the priorities of developed, rather than developing, countries the result could not but be further marginalization of developing ones including deterioration of their economies and unemployment.

He hoped that the Secretary-General's second series of reforms would take into consideration the priorities agreed upon in General Assembly resolutions and at United Nations conferences and the interests of the developing countries.

There had been attempts to impose conditions on developing countries despite a failure to implement corresponding decisions and resolutions to their advantage which had been adopted by consensus. His delegation regretted that such conditions were limiting the competitiveness of the developing countries and seeking to weaken the advantage they possessed by virtue of labour-intensive projects whose products could be exported to international markets. The imposition of environment-related conditions was also hindering capacity-building in developing countries.

He encouraged wider adherence to the ILO conventions on minimum labour standards. However, those standards should be achieved gradually rather than through the imposition of sanctions, which could only aggravate the situation in developing countries with widespread poverty.

Developed States must fulfil their commitments with regard to development assistance and technology transfer. Despite the establishment of an ODA goal of 0.7 per cent of GNP in the 1960s, the current ODA level averaged only 0.27 per cent. Foreign Direct Investment (FDI) might supplement ODA but could not replace it.

His delegation was deeply concerned that there had been no serious effort to address the marginalization of developing and, in particular, least developed countries, which were likely to become even more numerous if that marginalization continued. For example, there had been no implementation of the ministerial decision which had marked the conclusion of the Uruguay Round of multilateral trade negotiations with regard to the compensation of LDCs. There was a need for political will on the part of donor countries and of the international financial institutions. The volume of food assistance had dropped by 50 per cent, since the end of the Uruguay Round, despite the agreements that had been reached there and which had been the justification for the decision of many LDCs to become members of WTO.

His delegation was in favour of greater coordination between UNCTAD, WTO, the International Trade Centre (ITC) and the international financial institutions as a means of addressing the problems of LDCs and other developing countries. UNCTAD had a vital role to play in that regard, and it was important that the agreements reached at its ninth session and the new partnership for development and growth should be implemented.

He welcomed the United Kingdom representative's statement on the United Nations and hoped that that country and other developed Member States would become more responsive to the needs of the developing countries. He also welcomed the statement by the Netherlands representative and expressed appreciation for that country's contribution to preparations for the forthcoming high-level WTO meeting on the least developed countries.

Mr. VALDEZ (Observer for Peru) said one issue that had not been mentioned by the representatives of the international financial and trade institutions was the need for stability of the global economy which, in its turn, was dependent on policy coordination and took on great importance in the light of globalization. He asked how the various agencies thought that issue, which had been mentioned by the representative of UNCTAD, should be addressed.

Mr. MULUGETTA (Observer for Ethiopia) said that LDCs, owing to their weaker economies and the violation of agreements under the new trading system, were not in a position to enjoy the fruits of globalization. Some countries which had agreed to refrain from dumping nevertheless used competitive policies which violated WTO policies on most-favoured-nation status and national treatment. Sanitary and phyto-sanitary controls were also being used against LDCs by developed and developing countries which had agreed not to do so. The LDCs were prevented from taking diversification measures because increasing production of processed goods merely resulted in tariff escalation.

If the LDCs were to enjoy the fruits of globalization, favourable domestic policies must be accompanied by an improvement in the external environment. Agreed decisions must not be violated, the decline in ODA must be reversed, the debt burden must be reduced and there must be a strengthening of the multilateral trading system and of international organizations and, in particular, of UNCTAD, which was particularly able to identify the problems of developing and least developed countries and to propose solutions.

Mr. RICUPERO (Secretary-General of the United Nations Conference on Trade and Development (UNCTAD)), having thanked those representatives who had spoken in favour of strengthening UNCTAD, said, in reply to the question by the observer for The Former Yugoslav Republic of Macedonia, that UNCTAD was working to assist countries with economies in transition in the negotiation process for membership of WTO and was helping other States to set up laws of national competition, seek solutions to their transit problems or modernize customs regulations. In some cases, UNCTAD had cooperated in that regard with the Economic Commission for Europe or other similar organizations.

UNCTAD was working closely with WTO and ITC in preparation for the October 1997 high-level meeting on least developed countries. It was also cooperating with UNDP, IMF and the World Bank to develop a common approach to addressing the problems of countries with economies in transition.

Mr. RISCHARD (Vice-President of the World Bank), replying to a question by the observer for The Former Yugoslav Republic of Macedonia, said that the Bank had recently opened an office in Brussels and had concluded an informal agreement with the Economic Commission for Europe concerning consultation on the lending programmes of countries which were candidates for

accession to the European Union. In reply to the question by the observer for Nepal, he said that the Bank attached great importance to the forthcoming conference on least developed countries and would be broadly represented there.

The current discussion had made him particularly conscious of the remaining problems in the areas of awareness, connectivity and competitiveness, and the Bank would work to address those issues in the future.

Mr. SEADE (Deputy Director-General, World Trade Organization (WTO)), speaking in reply to questions by the observers for The Former Yugoslav Republic of Macedonia, Swaziland and Egypt, said that, since the development of multilateralism and the establishment of GATT after the Second World War, tariffs on industrial products had fallen from about 50 per cent to about 3.5 per cent while world trade had increased by a factor of 15.

Globalization implied increasing competition between countries, and any interventionism or protectionism would have serious consequences. One area particularly in need of liberalization was that of services, which represented over two thirds of the world economy. It was crucial that the recent WTO negotiations on telecommunications and financial services and the round of service negotiations scheduled for the year 2000 should be a success.

Another priority was universal accession to membership of WTO, with all the accompanying rights and obligations. While there was a need for increased deregulation and competitiveness at the national level, it was important to protect free trade and to ensure that rules existed where needed but that unnecessary rules were abolished. He reiterated the need for increased ODA and government support for social policies. The high-level conference on least developed countries was a top priority for WTO.

In reply to the question from the observer for Ethiopia, he said that efforts were being made to ensure that developing and least developed countries could enjoy the fruits of globalization. The forthcoming conference on least developed countries would focus on building institutional and human capacities as a means to improve the administration of trade in the public and private sectors. However, the countries concerned must help themselves by

eliminating obstructive regulations and minimizing costs to producers through trade liberalization, deregulation and demonopolization. The key ingredient was the political will to make decisions.

Mr. ZULU (International Monetary Fund (IMF)) said that structural adjustment programmes were designed to stabilize economic and financial conditions and allow supply conditions to play their part effectively. Virtually all countries had already begun structural reforms, and he was surprised at the remarks by the observer for Swaziland concerning the outside imposition of a structural adjustment programme.

As the Managing Director of the Fund had stated at the previous meeting, IMF was responsible for world economic stability in a global setting, a matter which concerned substance and policies at first the country and then the global level. To that end, it was upgrading surveillance in order to allow member States to report financial flows on current and, in the future, capital transactions. That information would be made available not only to IMF, but also to the markets and Member States, so that the markets would not overreact as a result of mistaken or insufficient information. The IMF Executive Board carried out a development overview every six months and a weekly review of between 12 and 20 of the countries most likely to develop problems. An emergency financing arrangement had US$ 50 billion available for funding countries in difficulty. IMF also helped countries to improve their technical sectors and strengthen their banking systems and held an annual meeting to allow ministers of finance to share information on best practices and policies. Thus, a recognized system was in place at the global level but individual countries must work to improve their own policy-making.

The PRESIDENT, summarizing the discussion, said it was generally agreed that globalization was a fact of life and that a new world economy was emerging. While optimism was justified, there were also clear risks, and a healthy dose of caution would provide a useful balance. International cooperation was needed if the dangers associated with globalization were to be managed.

The world economy had grown during the past year, even in the poorest countries, but growth had often been coupled with high unemployment rates. Sound macroeconomic policies were being pursued, commitment to price stability

and reduced fiscal deficits was leading to lower interest rates and realistic exchange rates, and structural adjustments and reform were setting the stage for sustained growth, which was spreading to most parts of the world.

The new world economy, which was based on economic and technical revolutions, made it possible for countries to take advantage of globalization. However, much of the world's population still lived in poverty, the gap between rich and poor and between the newly industrialized and other developing countries remained wide and both developing and developed countries suffered from unacceptably high unemployment levels.

In some respects, the world economy was polarizing; growth had not generated enough jobs, wage inequality between skilled and unskilled labour had become a global trend, the middle class was being hollowed out and income and job insecurity had become widespread. Increasing inequalities could trigger a backlash that might negate much of the recent progress, and it was high time that leaders turned from "creative destruction" to "creative construction" and the reconciliation of market forces with the needs of the disadvantaged.

Globalization could lead to marginalization and exclusion for structurally weak developing countries. In that regard, the Singapore Plan of Action for the Least Developed Countries, which would give those countries a strong voice in WTO, was to be welcomed, as was the forthcoming high-level meeting on the least developed countries.

Further reforms should include the quality of fiscal adjustment, bolder structural reform, better governance and public accountability and improvements in domestic financial institutions. But globalization did not mean giving free rein to market forces. It was for Governments to set policy and legal frameworks, build institutional and human capacities, install the necessary infrastructure, create an appropriate enabling environment, sponsor entrepreneurship and provide basic social services.

Economic opportunities and challenges increasingly transcended national boundaries. International cooperation, new approaches to international governance and establishment of a free, fair, equitable and rule-based system were essential. The alternative of power-based relations was too appalling to contemplate. Consideration of labour standards and similar issues should take place in an appropriate context, such as that of ILO, and should not lead to protectionism or affect the comparative advantage of the developing countries.

Globalization called for greater solidarity; developed countries should strengthen their domestic policies by pursuing low inflation and interest rates, opening their markets to developing countries and improving macroeconomic policy coordination. The multilateral trading system was a key element in fostering an enabling environment for development and increasing the flow of technology and information around the world. It was equally important to liberalize the financial services sector, ensure the stability of financial markets and capital flows and enhance the supply capacities of structurally weak economies through international economic cooperation. The negative trend in ODA, which was more essential than ever before, should be reversed. The international financial institutions must be provided with the necessary resources to help the poorest countries in their fight against marginalization; the Enhanced Structural Adjustment Facility (ESAF) must be placed on a permanent footing and more countries must be brought into the Heavily Indebted Poor Countries (HIPC) debt initiative.

Cooperation at the national and international levels, particularly among the Bretton Woods institutions, WTO and UNCTAD, would promote greater coherence between trade, investment and financial policies. Closer cooperation between the United Nations, the Bretton Woods institutions and WTO was also needed in order to provide integrated support for implementation of the internationally-agreed policies and goals that had emerged from the recent world conferences.

The Council greatly valued the opportunity to engage in dialogue with the heads of the international financial and trade institutions, the results of which would doubtless be reflected in the agreed conclusions of its high-level segment.

The meeting rose at 6.45 p.m.